
OLR Bill Analysis

sHB 5048

AN ACT ESTABLISHING THE CHET BABY SCHOLARS PROGRAM AND AMENDING STATUTES RELATING TO THE CONNECTICUT STUDENT LOAN FOUNDATION.

SUMMARY:

This bill establishes a (1) college savings program for newborn and adopted children as part of the Connecticut Higher Education Trust (CHET) and (2) a separate, nonlapsing General Fund account to fund the program (CHET Baby Scholars Fund). The program must provide incentive payments to CHET beneficiaries born or legally adopted on or after January 1, 2014 and living in Connecticut when the incentive payments are made. The state treasurer must administer the program, making incentive payments from the CHET Baby Scholars Fund.

Under the bill, the treasurer must make up to two incentive payments to the savings plan of a participating child. She must make an initial \$100 payment to the plan of a child who entered the program by his or her first birthday or within one year after the child's legal adoption. She must a subsequent \$150 payment to the plan if it received at least \$150 in deposits before the child's fourth birthday or within four years after his or her legal adoption. The bill allows taxpayers to contribute part of their state income tax refunds to CHET savings plans, including contributions under the CHET Baby Scholars Program. It excludes the money deposited in these plans as assets for determining eligibility under specific income assistance programs.

The bill also reconstitutes the Connecticut Student Loan Foundation (CSLF) as a quasi-public subsidiary for the Connecticut Health and Educational Facilities Authority (CHEFA). Currently, CSLF is an independent, state-chartered nonprofit corporation created to make or guarantee loans under the Federal Family Education Loan Program. It stopped making new loans and sold its loan guarantee portfolio in

2009 and now performs mostly administrative duties. But it retains its power to make or guarantee loans.

EFFECTIVE DATE: Upon passage, except for the provisions concerning the CHET Baby Scholars Program, income tax refunds contributed to the CHET program, and CSLF, which are effective July 1, 2014.

CHET PROGRAM

CHET Baby Scholars Program Administration

The bill establishes the CHET Baby Scholars Program as a component of the CHET program, which is Connecticut's state-sponsored college savings plan. The state treasurer must administer the program, providing incentive payments from the CHET Baby Scholars Fund account the bill establishes. She may enter into one or more contractual agreements specifying requirements for participating in the Baby Scholars program and receiving its incentive payments. She may tap the account to cover the administrative cost of creating the account and making the payments.

Income Tax Refunds

The bill allows taxpayers to contribute any part of their state income tax refund to an individual CHET account, including accounts created under the Baby Scholars program. To help taxpayers interested in making such contributions, the revenue services commissioner must include information in the instructions accompanying tax returns indicating how taxpayers may contact the treasurer about CHET or providing links to her website. He must also revise the income tax return to include spaces for taxpayers to contribute in the manner already allowed for contributions to other accounts, such as those for AIDS research and organ transplants.

Current law allows the commissioner to tap up to 7.5% of the funds contributed to these accounts each year to cover the cost of administering the accounts. The bill bars the commissioner from tapping CHET plan assets for this purpose.

CHET Assets

The bill excludes CHET funds in determining eligibility for (1) the Temporary Family Assistance program, (2) the Low-Income Home Energy Assistance Program, (3) the federally funded weatherization assistance program, and (4) an individual's need-based institutional grants offered at the state's public colleges and universities.

CSLF***CHEFA Quasi-Public Subsidiary***

The bill reconstitutes CSLF as a quasi-public subsidiary of CHEFA. (The Connecticut Higher Education Supplemental Loan Authority (CHESLA) is already a CHEFA subsidiary.) By making CSLF a quasi-public agency, the bill requires CSLF to comply with the statutes governing such agencies. Among other things, CSLF must (1) obtain the state treasurer's approval before issuing bonds or incurring other debt backed by the state and (2) protect its directors, officers, and employees from liability when performing their duties.

As a CHEFA subsidiary, CSLF has the same privileges, immunities, tax exemptions, and other exemptions as CHEFA, but CSLF's liability does not extend beyond its assets, revenue, and resources. CSLF continues to exercise its powers under existing law. To help CSLF exercise those powers, CHEFA may support CSLF's operations and receive compensation for doing so. Such support includes space, equipment, supplies, and employees.

CHEFA and CSLF must take any actions necessary to maintain CSLF's status as a federal tax-exempt organization. The bill does not otherwise change CHEFA's powers and responsibilities.

Board of Directors

The bill eliminates CSLF's 14-member board on July 1, 2014 and replaces it with CHESLA's nine-member board. CSLF's board currently consists of state higher educational officials, people with financing and accounting backgrounds, and legislative appointees. CHESLA's board includes state officials, CHEFA board members, and an expert in state and municipal finances.

The bill authorizes CHEFA's board to remove any member from CSLF board for misfeasance, malfeasance, or neglect of duty. The chairperson of CHESLA's board must serve as the chairperson of CSLF's reconstituted board, and that board must elect a vice chairperson from its members. The board members are not compensated for their service, but must be reimbursed for expenses. They must also take the oath of office prescribed in Article XI of the State Constitution.

The board must adopt CSLF's bylaws and hold regular and special meetings. A majority of the members constitutes a quorum for conducting business, and a majority of those present at these meetings must decide matters, unless the bylaws require otherwise. The board may elect an executive committee to conduct CSLF's business in between board meetings. The committee may consist of up to four members.

The reconstituted CSLF board may distribute any excess fund to CHEFA or its subsidiaries (currently, CHESLA is the only subsidiary) for providing financial assistance to qualified students attending higher education institutions. The assistance includes financial literacy education and loans, scholarships, and grants.

CSLF's board may appoint CSLF's executive director, who must be a CHEFA or CHESLA employee, but serves at CSLF board's pleasure. The director's duties include supervising CSLF activities; keeping a record of CSLF proceedings; and maintaining its books, documents, and papers.

The statutory protections from liability apply to CHEFA and CHESLA officers, directors, designees and employees who are appointed as CSFL members, directors, or officers. They also apply to CHEFA employees appointed as CSFL officers. These appointed officials are not personally liable for CSFL's debts, obligations, or liabilities. CSLF must, and CHEFA may, protect, save harmless, and indemnify them.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 45 Nay 5 (04/01/2014)